2014 Global Leasing Report

BY ED WHITE—CHAIRMAN
WHITE CLARKE GROUP

NO DEAD-CAT BOUNCE, THE LEASING INDUSTRY GREW 8.95% GLOBALLY IN 2012, BUT THERE MAY BE TROUBLE IN STORE

White Clarke Group

Your complimentary copy of the Global Leasing Report 2014

I am delighted to present you with this latest edition of the White Clarke Group Global Leasing Report 2014 (GLR). The GLR has become the definitive analysis of country trading environments and world trends in auto and asset leasing.

Ed White–Chairman, White Clarke Group

You will find the latest auditable data on volume and growth by region, market penetration, GDP ratios and market shares, complete with a ranking of the top 50 leasing markets by size worldwide.

Again, we were able to reflect on the resilience of the leasing sector, with an 8.95 per cent increase in new business volume and North America, Europe, Asia and Australia/New Zealand all reporting growth. For me, an interesting development has been the way in which leasing companies have been able to adapt their offerings to market and fiscal changes.

I hope you will enjoy this report and feel free to commend or ask questions **info@whiteclarkegroup.com**

About White Clarke Group

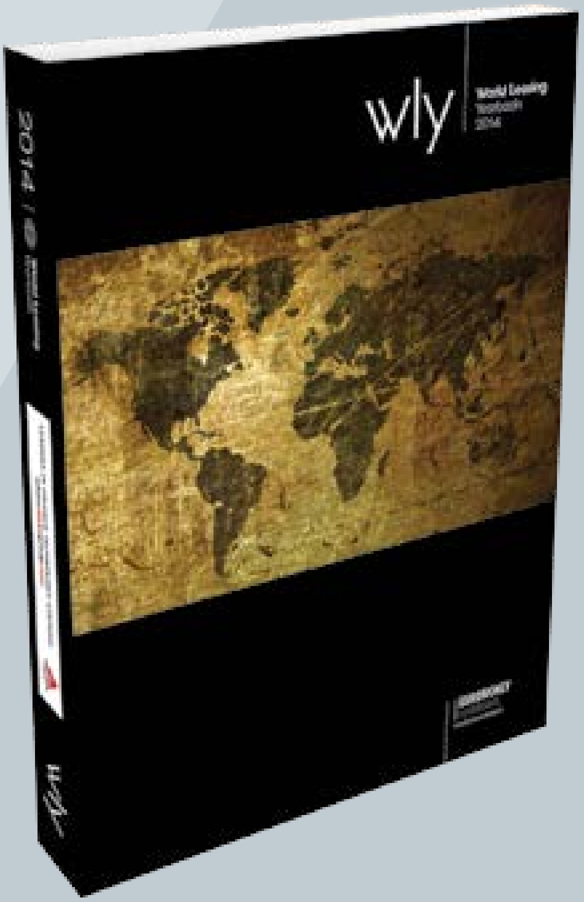
White Clarke Group is the market leader in software solutions and business consultancy to the automotive and asset finance sector for retail, fleet and wholesale. White Clarke Group solutions enable end-to-end credit processing and administration to streamline business practice, cut operational cost and deliver outstanding customer service.

White Clarke Group has a twenty-two year track record of leadership and innovation in finance technology, consultancy and new market entry. Clients value White Clarke Group industry knowledge, market intelligence and innovation. The company employs some 500 finance and technology professionals, with offices in the UK, USA, Canada, China, Australia, Austria and Germany.

For more information, please visit whiteclarkegroup.com

World Leasing Yearbook

This report is an extract from the complete Global Leasing Report which is part of the 580 page World Leasing Yearbook. To obtain the full report, which contains 12 additional tables and figures, you can purchase the book at www.euromoneyplc.com/wly



No dead-cat bounce, The leasing industry grew 8.95% globally in 2012, but there may be trouble in store

By Ed White, Chairman, White Clarke Group

The White Clarke Global Leasing Report continues a history of tracking the worldwide market for leasing products for more than 30 years. In 2011 the leasing industry appeared to have recovered from the Global Economic Crisis, but with so many secondary shockwaves apparent, would the recovery prove to be sustainable? All values are quoted in US dollars.

Overview

Though a painful process, the leasing industry's fortunes began to improve as early as 2010, followed by a remarkable rebound in 2011, when new business volumes increased by more than 20%. Our own prediction for 2012 was that we were unlikely to be experiencing a dead-cat bounce, and we anticipated modest but real growth. In fact, globally, the industry grew by a respectable 8.95%.

The three regions, North America, Europe and Asia represent more than 95% of world leasing trade and each reported positive growth. Of the smaller regions, volumes in Africa contracted slightly, but increased in Australia/New Zealand. The figures for Latin America are somewhat clouded by a re-evaluation of previous year's results. We can, how ever, confidently report that portfolio volume for the region increased by 13.96% in 2012.

A changing landscape

The nature of the leasing industry has changed over the years. Companies and trade associations that previously described themselves as being in the Equipment Leasing sector have now adopted descriptions such as Equipment Finance Leasing or Equipment Finance *and* Leasing. This change has been reflected in the widespread adoption of Hire Purchase (HP) as a finance mechanism. In some countries, hire purchase has become the major source of revenue for leasing companies. In others, it is almost the only product available in the 'leasing' sector.

It became apparent that over the years a number of countries had been incorporating HP within their returns, but not declaring the fact. A poll of the national leasing associations came to a consensus that in future years, hire purchase should be included in our volumes. Wherever the word 'leasing' is used in this report, it refers to both leasing and HP.

A more recent phenomenon has been a protracted period of low interest rates in some countries, eroding the tax advantages of pure leasing. It is in the nature of the banking sector to favour simplicity and, in a number of countries organisations that describe themselves as leasing companies are really providing loan facilities. We have attempted to remove such traffic from our industry figures.

Table 1: Volume and growth by region (2011-2012)

Rank by volume	Region	Annual volume (US$bn)	Growth 2011-2012 (%)	Percentage of world market volume 2011	Percentage of world market volume 2012	Change in market share 2011-2012
1	N America	336.4	15.0	36.7	38.8	2.0
2	Europe	314.0	3.7	38.0	36.2	-1.8
3	Asia	180.2	17.5	19.3	20.8	1.5
4	Aus/NZ	16.1	34.3	1.5	1.9	0.3
5	S America	13.2	-52.2	3.5	1.5	-1.9
6	Africa	8.2	-5.1	1.1	0.9	-0.1
	Total	868.00				

The figures for the years 2011 onward represent both leasing and hire purchase.
Source: White Clarke Global Leasing Report.

North America

New business activity rose by 15.0%, delivering a volume of US$336.4bn. The region's share of global volume increased by two percentage points to 38.8%.

The influence of the US cannot be overstated. We estimate its new business volume for 2012 to be US$294.34bn, more than the combined performance of the four next largest markets (China, Japan, Germany and the UK). ELFA reports portfolio performance at an all-time high.

Canada also posted very positive growth of 15.63%, despite a reduction in the rate of growth of the economy. Growth has been polarised, as illustrated by a CLFA survey of eight commercial equipment lessors, which reported a rise in new business activity of 73%, compared with 2011.

Three countries representing North America feature within the league table for 2012: US, Canada and Mexico.

* NB Most countries are able to provide definitive leasing figures based on actual sales figures submitted by leasing organisations to their national association. In previous years, the ELFA has adopted a different approach, relying on the results of surveys conducted by HIS Global Insight on behalf of ELFF, but has been unable to furnish figures for 2012. As a consequence, we have had to make an author's estimate.

Europe

Europe remains the second largest region for equipment leasing, experiencing modest growth* of 3.7% in 2012. The region accounts for 36.2% of global new business activity and it delivered US$314.0bn new business volume. Thirteen European countries feature in the world's top 20 countries for new business.

Germany is the largest country in Europe for equipment leasing, and is now fourth largest in the world, behind the US, China and Japan, having experienced modest growth of 1.12%. The services segment in Germany is the biggest single source of revenue in the industry, accounting for 35% of all new business transacted, up on the figure for the preceding year. The volume of new business acquired by bank-owned leasing companies and by the independents fell while the captives enjoyed an increase of 3.9% in new business.

The Russian leasing industry was launched in 1990, with the founding of Baltic Leasing (Baltic). By 2012, the Russian leasing industry reported new business volume of US$25.50bn, representing growth of 7.10% over the previous year. According to Leaseurope, of the companies taking part in its Ranking Survey, OJSC VEB-Leasing has now become the fourth largest leasing operation in Europe.

Of 96 leasing companies surveyed by Professor V. D. Gazman, National Research University, Higher School of Economics (Moscow), 47 companies captured more than US$100m in new business volumes in 2012.

Railway rolling stock and locomotives remain the biggest sector in Russia, but in 2012 its share of the industry began to shift, with a decline from 49.4% to 40.8% share of total new business volume.

European leasing continued to be impeded by the troubled state of the Eurozone. Although the North/South divide was not as marked as in 2011, those countries exhibiting more than a 20% decline in new business were each Southern states – Italy (22.22% decline), Spain (22.95% decline), Portugal (43.57% decline), Greece (52.58% decline). Greece no longer features within the top 50 country table.

*NB Our figures will exhibit slight differences from those quoted by Leaseurope because The White Clarke Global Leasing Report adopts the US dollar as its base rate, as published at the last day of the year. Leaseurope employs the euro as its base currency, adjusted for exchange rate fluctuations.

Asia

Once more, the Asian region experienced strong growth in new business volumes (17.5%) capturing one fifth of world volume (20.8%).

The performance of leasing in Asia is, of course, dominated by the Chinese market. Despite economic growth that has contracted to 'only' 7.8%, the leasing sector grew in 2012 by 41.67%. This was due to a number of factors including an easing of monetary policy, regulatory relaxation for non-bank financial institutions and decentralisation of approval for foreign-invested lessors. By 2011 the number of lessors had reached almost 300, almost doubling by the end of 2012.

Another major factor contributing to growth has been the need to expand the country's infrastructure. China leads the world in the production and sales of construction machinery, 40% of which is realised through leasing. The year 2013 promises a very different story for the leasing sector, with new legislation, particularly relating to the way VAT is treated for leasing purposes, putting the whole concept of leasing in jeopardy.

The leasing industry in Japan had experienced decline from 2007. It returned a modest growth in 2011, expanding by a further 6.23% in 2012, aided by double-digit growth in transportation and construction equipment. The Japanese leasing industry is the third largest in the world, behind the US and China.

There has been a leasing industry in Korea for more than 40 years and the country is the fourth largest leasing market in Asia, ranked 13th in the world. New business volume in 2012 contracted by 1.20%, reflecting a decline in GDP.

The leasing industry in Taiwan commenced its recovery from the Global Economic Crisis in 2010 and in 2012 achieved US$7.80bn in new business, its best performance for 10 years. The two major segments were vehicle and transportation and raw materials, which together represented 80% of total transactions. SMEs have long been the major target for leasing in Taiwan and in 2012 accounted for more 91% of new business volume.

Rest of the world

Six countries (Brazil, Columbia, Chile, Peru, Argentina and Puerto Rico) in Latin America, four countries in Africa (South Africa, Morocco, Egypt and Nigeria) plus Australia and New Zealand make up the remainder of the top 50 for 2012.

The Australia/NZ region ranked fourth with a new business volume of US$16.1bn, representing 1.9% of world volume. Australia is by far the dominant partner, with US$15.69bn new business volume in 2012 for leasing and hire purchase.

The leasing market in Australia is somewhat skewed by the dominant role of the banks, who favour an asset-based form of finance called 'chattel mortgage', which does not feature in our tables. Chattel mortgage accounted for an extra US$27bn in equipment finance.

It is very difficult to identify new business volumes for the Latin American marketplace, and we are extremely grateful to Mr Rafael Castillo-Triana, CEO the Alta Group, Latin American Region, for his research. For consistency across the region, we have adopted the Alta

Group figures for each country, even where a national association has submitted returns.

The negative growth quoted for Latin America in Table 1 is misleading as it is based on questionable data for 2011. What is clear is that portfolio volume for the region increased by 13.96% in 2012.

The African leasing industry is still in its infancy and, apart from South Africa, there is a paucity of quantitative information available. The South African leasing market grew by 1.02% with a new business volume of US$5.72bn, ranking 21st in world volume. Africa represents around 1% of world leasing volume.

The penetration of leasing

For countries where reliable data has been made available, Table 2 includes a measure of leasing penetration. In fact, we provide two measurements for leasing penetration. One, which has been used in the Global Leasing Report for some countries since the start of the series in 1978, is based on taking leasing as a proportion of all fixed investment in plant and equipment. This figure is given for each country in Table 2 for the year 2011. For 11 of the largest countries, a back run of these figures for 20 years is given in Table 4.

The second method of expressing penetration, introduced into the Global Leasing Report in 1999, is in relation to gross domestic product (GDP), i.e. national output as a whole. Table 5 gives figures and rankings for each country in the White Clarke/GDP ratio for 2011.

Of the two measures, the first (investment penetration) is a better indication of how leasing compares in competition with alternative forms of financing. However, calculation of the investment penetration ratio depends on identifying the correct statistic for plant investment, against which leasing should be compared.

Table 2: White Clarke Global Leasing Report 2013

Ranking	Continent Code	Country	Annual Volume (US$bn)	% Growth 2011-2012	% Market Penetration	Source
1	NA	USA	294.34	9.50	22.0	(8)
2	A	China (People's Republic)	88.66	41.67	3.8	(9)
3	A	Japan	69.95	6.23	7.2	(1)
4	E	Germany	66.34	1.12	5.8	(2)
5	E	United Kingdom	61.66	9.56	23.8	(2)
6	NA	Canada	37.00	15.63	20.8	(1)
7	E	France	33.81	-0.28	12.8	(2)
8	E	Russia	25.50	7.10	-	(2)
9	E	Sweden	20.33	15.95	24.6	(2)
10	E	Italy	18.17	-22.22	10.0	(2)
11	ANT	Australia	15.69	0.37	-	(1)
12	E	Switzerland	11.81	-4.29	12.3	(2)
13	A	Korea	10.22	-1.20	8.5	(1)
14	E	Poland	9.38	0.83	11.9	(2)
15	A	Taiwan	7.80	14.80	8.2	(9)
16	E	Denmark	7.76	2.71	20.6	(2)
17	E	Norway	7.58	5.54	-	(2)
18	E	Austria	6.60	-13.80	11.1	(2)
19	E	Belgium	5.99	0.12	8.9	(2)
20	E	Finland	5.87	-1.03	16.8	(2)
21	AF	South Africa	5.72	1.02	-	(7)
22	E	Spain	5.57	-22.94	4.1	(2)
23	E	Netherlands	5.40	-4.05	6.0	(2)
24	E	Turkey	5.36	9.60	5.9	(1)
25	NA	Mexico	5.08	15.76	-	(4)
26	SA	Brazil	4.02	-3.23	-	(4)
27	E	Czech Republic	3.76	-7.09	10.3	(2)
28	SA	Colombia	3.75	29.50	-	(4)
29	A	Malaysia	2.71	-11.70	-	(1)
30	E	Slovakia	2.39	3.60	14.1	(2)
31	SA	Chile	2.23	13.00	-	(4)
32	E	Portugal	1.77	-43.57	9.4	(2)
33	E	Romania	1.72	2.70	4.2	(2)
34	E	Estonia	1.31	27.15	27.5	(2)
35	SA	Peru	1.30	13.42	-	(4)
36	E	Hungary	1.23	2.00	-	(1)
37	AF	Morocco	1.11	-6.90	15.9	(2)
38	E	Slovenia	1.05	-0.05	16.8	(2)
39	AF	Egypt	1.03	22.80	-	(1)
40	E	Ukraine	0.88	-16.47	-	(2)
41	A	Iran	0.87	22.80	-	(9)
42	SA	Argentina	0.87	2.24	-	(4)
43	E	Latvia	0.82	15.52	13.1	(2)
44	E	Lithuania	0.81	15.75	14.23	(2)
45	SA	Puerto Rico	0.80	-16.62	-	(4)
46	E	Bulgaria	0.69	-0.43	-	(2)
47	ANT	New Zealand	0.40	-7.50	-	(8)
48	E	Serbia-Montenegro	0.39	5.53	-	(2,8)
49	AF	Nigeria	0.32	-39.00	-	(1)
50	SA	Venezuela	0.18	62.19	-	(4)
		TOTAL	868.00			

Market penetration rates quoted by Leaseurope appear as those reported and defined in the Leaseurope's 2010 Annual Survey.

Key to Sources:
(1) National Leasing Association
(2) Leaseurope
(3) Asian Leasing Association
(4) Alta Group
(5) Other Trade Associations
(6) Government Statistics
(7) Central Bank Data
(8) Author's Estimate
(9) Others' Data

The White Clarke/GDP ratio is a more reliable indicator in that it is based on a broader denominator. Furthermore, information for all countries is more readily available.

In measuring leasing by reference to economic activity as a whole, this ratio highlights which countries have relatively mature leasing industries, or, in some cases, where leasing is being promoted strategically as a source of investment funding.

The sources

The White Clarke Global Leasing Report is assembled from a number of disparate sources, the most important primary sources being the national associations that represent leasing companies in most individual countries.

The prime role of the national associations is to act as lobbying groups, with the aim of influencing the regulatory environment. These bodies almost all make efforts to extend their membership bases as widely as possible within the local leasing industry, and to measure and publicise local leasing business activity.

In several regions, including Europe, Asia and Latin America, continental leasing federations add substantial value to the process of recording activity at national as well as continental levels.

In Europe, the Leaseurope federation endeavours to standardise the measurement of equipment leasing business for each European country, on a basis that broadly matches the White Clarke

Global Leasing Report's concept of the scope of leasing. We are particularly grateful to Leaseurope for the quality and depth of their data.

Leaseurope publishes its data in euros, using average exchange rates over the year for non-euro countries, while the White Clarke Global Leasing Report is published in US dollars, employing the last published exchange rates for the year.

National associations also remain important sources of information in Europe, with many of them providing significant information and narrative beyond that required by Leaseurope.

We are grateful to the Alta Group for their assistance in preparing much of the Latin American data.

Other important sources of information for some countries include official statistics from central banks or finance ministries; and in some cases trade bodies, which have a wider remit than the leasing industry but who can make a clear differentiation between leasing and other financial products.

In some of the less developed countries, International Finance Corporation (IFC), the private sector arm of the World Bank, has been active in promoting leasing activity. IFC is in a position to provide market volume estimates for several developing countries, and has been a very helpful source of information for the Global Leasing Report for many years.

For a few countries, where it is clear that locally based sources have provided data representing only part of total leasing activity, or where reasonably comprehensive information for earlier years had not been available, White Clarke has had to make an author's estimate of the national leasing total.

The various sources of information for each country are identified in the footnotes to Table 2.

Identifying the top 50

The global and continental aggregates are compiled from the top 50 countries only, and estimates are not made for countries outside that group. It is estimated that all the excluded countries together would have accounted for less than US$10bn of measurable leasing business in 2012.

For the purposes of identifying regional or continental groups, Turkey is taken as the eastern extremity of Europe. Africa is divided from Asia at the Suez Canal, with Egypt in Africa. The Americas are divided at the Panama Canal, with Panama itself in North America. Australia and New Zealand together are treated as a separate region. Cross-border leasing is included within the national total for the home state of the lessor, rather than that of the lessee. Strictly speaking, the national totals represent leasing industries rather than leasing markets.

Table 3: Leasing volume by region – 1993-2012 (US$bn)

(US$bn)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Europe	81.0	87.5	108.0	117.7	108.3	133.6	133.6	131.0	140.0	164.1	196.1	236.5	239.6	272.0	401.2	336.7	220.4	233.0	302.7	314.0
N. America	132.5	148.0	169.3	177.0	189.2	195.0	239.1	272.4	254.1	216.0	223.9	240.7	236.7	241.1	237.9	226.1	190.8	213.3	292.5	336.4
Asia	79.9	99.2	104.8	105.8	80.2	74.7	80.4	78.3	67.7	68.7	74.1	78.2	74.0	81.7	84.6	99.2	103.8	105.6	153.4	180.2
S. America	9.3	11.1	15.1	15.0	15.9	16.4	8.3	8.1	5.6	3.3	4.0	7.5	13.9	19.2	41.4	54.2	30.2	25.4	27.5	13.2
Australia/NZ	4.9	5.9	6.2	7.3	6.9	7.9	7.9	5.3	5.5	5.8	7.6	8.1	8.2	8.6	4.1	6.9	5.7	10.8	12.0	16.1
Africa	2.0	4.7	5.7	5.3	5.2	4.9	4.3	3.9	3.8	3.7	5.6	8.1	9.6	11.1	11.2	9.6	6.5	6.4	8.6	8.2
Annual Totals	309.6	356.4	409.1	428.1	405.8	432.5	473.5	499.0	476.7	461.6	511.3	579.1	582.0	633.7	780.4	732.8	557.3	594.5	796.7	868.0

The figures for the years 2011 onward represent both leasing and hire purchase
Sources: London Financial Group, White Clarke Global Leasing Report

Table 4: A comparison of the rate of equipment leasing market penetration (%)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
United States	29.4	28.7	28.1	30.9	30.9	30.9	30.0	31.7	31.0	31.1	31.1	29.9	26.9	27.7	26.0	16.4	17.1	17.1	21.0	22.0
Japan	8.1	8.9	9.4	9.5	8.9	9.2	9.5	9.1	9.2	9.3	8.7	8.7	9.3	9.3	7.8	7.2	7.0	6.3	6.8	7.2
Germany	11.1	10.9	11.5	13.3	13.6	14.7	15.1	14.8	13.5	9.8	21.7	15.7	18.6	23.6	15.5	16.2	13.9	14.3	14.7	5.8
Korea	23.0	26.2	30.0	26.5	28.3	13.1	2.8	2.4	1.6	3.9	4.4	5.6	7.7	9.4	n/a	10.5	4.4	4.8	8.7	8.5
United Kingdom	19.0	15.8	17.9	24.0	19.2	15.0	15.9	13.8	14.4	15.3	14.2	9.4	14.5	12.7	11.6	20.6	17.6	18.5	19.8	23.8
France	13.1	13.0	15.2	15.2	12.4	17.0	15.7	9.2	13.7	12.9	15.4	9.0	11.7	11.0	12.0	12.2	3.1	10.5	11.1	12.8
Italy	10.8	13.1	16.8	16.8	10.9	12.3	12.4	12.3	10.4	8.6	7.6	11.4	15.1	15.2	11.4	16.9	10.0	13.1	12.3	10.0
Brazil	10.0	20.0	20.5	18.1	20.7	20.7	12.5	11.4	7.6	3.6	3.8	7.7	13.5	16.9	19.0	23.8	n/a	n/a	n/a	n/a
Canada	12.8	14.0	15.9	16.1	15.7	22.0	22.0	22.5	22.0	20.2	22.0	23.3	23.9	22.0	22.0	19.6	14.0	15.1	20.8	20.8
Australia	22.1	21.8	22.3	20.0	25.0	25.0	25.4	20.0	20.0	20.0	20.0	20.0	20.0	18.0	14.2	10.0	10.0	12.0	27.5	27.5
Sweden	20.0	20.0	27.0	28.0	28.0	20.0	17.5	12.9	9.2	13.0	11.6	12.7	11.8	11.8	14.3	19.4	17.5	19.2	18.2	24.6

Sources:

(1) Australian Equipment Lessors Association (Total leasing as a percentage of Private Capital Investment)
(2) US Dept. of Commerce, Economics & Statistics Administration, Bureau of Economic Analysis and Equipment Leasing Association of America (Equipment leasing as a percentage of Business Investment in Equipment)
(3) Japan Economic Planning Agency & Japan Leasing Association (Equipment leasing as a percentage of Private Capital Investment)
(4) Leaseurope Annual Reports
(5) Statistics Canada & Equipment Lessors Association of Canada (Lessor purchases as a percentage of total equipment acquisitions in Canada)
(6) Korea Leasing Association
(7) Brazilian Association of Leasing Companies
(8) London Financial Group
(9) White Clarke Global Leasing Report

Deriving the figures

The statistics measure new business value for each year, i.e. the value of equipment newly assigned on lease to customers during the year. Strictly speaking, that does not necessarily denote new equipment: it could include second-hand equipment, and

Real estate leasing is consistently excluded from the Report. In some countries the national leasing associations (or other information sources) are concerned with the leasing of land and buildings as well as that of equipment. Nevertheless, in most of those cases the primary data sources make a sufficiently clear distinction between the two in their own statistics.

In other cases, some estimating is necessary within the White Clarke Global Leasing Report in order to strip out a portion of the reported total leasing activity believed to represent real estate leasing.

Likewise, consumer credit financing is excluded. In principle, the dividing line between leasing and consumer finance is a simple functional one, i.e. whether the equipment is largely for business use, or primarily for the customer's private nonprofessional use as an individual or householder.

This still leaves some problem areas as to what types of commercial equipment financing transaction should be counted as leasing. In many countries the line between leases and other forms of finance is reasonably clear.

There is no obvious solution as to where to draw the line on a consistent basis for all countries. In such problem areas the approach adopted by the White Clarke Global Leasing Report (within the overriding parameters, such as excluding both real estate and consumer transactions) is to follow the local definition of leasing.

The White Clarke Global Leasing Report employs US dollars as the common currency baseline for country comparisons, using exchange rates prevailing at the end of the year.

Table 5: White Clarke/GDP penetration ratio

Annual leasing volume as a percentage of gross domestic product

Ranking	Country	2012 Ratio
1	Estonia	6.32
2	Sweden	3.98
3	Latvia	3.30
4	Slovakia	2.53
5	United Kingdom	2.47
6	Finland	2.43
7	Denmark	2.38
8	Canada	2.18
9	Switzerland	2.14
10	Lithuania	2.12
11	Slovenia	2.09
12	Germany	1.92
13	Poland	1.86
14	USA	1.86
15	Austria	1.75
16	Norway	1.72
17	Czech Republic	1.60
18	Taiwan	1.59
19	South Africa	1.49
20	Bulgaria	1.42
21	Russia	1.37
22	France	1.27
23	Belgium	1.24
24	China (People's Republic)	1.24
25	Japan	1.19
26	Australia	1.17
27	Colombia	1.15
28	Morocco	1.08
29	Malaysia	1.06
30	Romania	0.92
31	Chile	0.91
32	Korea	0.91
33	Hungary	0.87
34	Italy	0.86
35	Puerto Rico	0.79
36	Portugal	0.79
37	Peru	0.75
38	Serbia-Montenegro	0.75
39	Netherlands	0.68
40	Turkey	0.63
41	Ukraine	0.52
42	Mexico	0.46
43	Spain	0.40
44	Egypt	0.39
45	New Zealand	0.26
46	Iran	0.24
47	Argentina	0.23
48	Brazil	0.17
49	Nigeria	0.13
50	Venezuela	0.06

Ranking	Country	2011 Ratio
1	Estonia	5.13
2	Cyprus	4.33
3	Latvia	2.89
4	Finland	2.48
5	Denmark	2.46
6	Colombia	2.45
7	Peru	2.24
8	Slovenia	2.24
9	Switzerland	2.18
10	Czech Republic	2.16
11	United Kingdom	2.15
12	Germany	2.04
13	Austria	2.04
14	Poland	1.98
15	Sweden	1.94
16	Chile	1.89
17	Puerto Rico	1.84
18	Norway	1.80
19	USA	1.77
20	Bulgaria	1.75
21	Ireland	1.64
22	Slovakia	1.62
23	Morocco	1.61
24	South Africa	1.55
25	Taiwan	1.42
26	Portugal	1.38
27	Canada	1.37
28	Russia	1.36
29	Japan	1.29
30	France	1.29
31	Belgium	1.25
32	Italy	1.12
33	Hungary	1.10
34	Romania	0.98
35	China (People's Republic)	0.94
36	Korea	0.91
37	Australia	0.89
38	Malaysia	0.72
39	Netherlands	0.71
40	Serbia-Montenegro	0.71
41	Uzbekistan	0.65
42	Ukraine	0.65
43	Turkey	0.54
44	Spain	0.52
45	Iran	0.50
46	Brazil	0.48
47	Egypt	0.37
48	Argentina	0.32
49	New Zealand	0.29
50	Kazakhstan	0.23

Ranking	Country	2010 Ratio
1	Estonia	3.23
2	Slovenia	2.28
3	Portugal	2.18
4	Bulgaria	2.17
5	Sweden	2.05
6	Hungary	1.99
7	Denmark	1.94
8	Peru	1.68
9	Morocco	1.67
10	Austria	1.62
11	Germany	1.62
12	Poland	1.59
13	Chile	1.53
14	Brazil	1.47
15	Norway	1.41
16	Latvia	1.39
17	Slovakia	1.33
18	Czech Republic	1.32
19	Italy	1.26
20	USA	1.25
21	France	1.23
22	Finland	1.21
23	Belgium	1.16
24	Serbia-Montenegro	1.11
25	Switzerland	1.05
26	Japan	1.04
27	Romania	1.03
28	Canada	0.97
29	South Africa	0.94
30	Netherlands	0.92
31	China (People's Republic)	0.92
32	Korea	0.87
33	Greece	0.85
34	Russia	0.85
35	United Kingdom	0.82
36	Kazakhstan	0.76
37	Australia	0.74
38	Luxembourg	0.70
39	Colombia	0.67
40	Spain	0.59
41	Ireland	0.57
42	Equador	0.39
43	Mexico	0.33
44	Iran	0.33
45	Nigeria	0.30
46	New Zealand	0.29
47	Egypt	0.26
48	Turkey	0.25
49	Ukraine	0.20
50	Philippines	0.19

Sources: London Financial Group, White Clarke Group

What does 2013 hold for the industry?

The year 2012 has been very mixed across different economies, but overall one of respectable growth. The industry has consolidated and has focused again on portfolio quality and improvements to systems infrastructures. But what will 2013 bring?

With just four countries (US, China, Germany and Japan) representing 60% of world volume, it is their performance that will ultimately determine global performance in 2013.

US

According to the Equipment Leasing & Finance Foundation: “The equipment replacement cycle that propelled growth between 2010 and 2012 is fading, and there are few if any growth drivers in the stubbornly modest economic recovery” The Foundation suggests that 2013 will be a transitional year, with 2014 marked by slower growth and tighter margins.

China

China’s seemingly inexorable industrial expansion and the need for a supporting infrastructure has made the People’s Republic into a star performer for leasing transactions. The treatment of VAT for sale-and-leaseback transactions (representing 70% of the market) changed dramatically in August 2013. Although the industry is making representations to the government, at the time of writing this article sale and leaseback have all but ceased. Because of China’s dominant role in the world’s leasing market, this issue alone may well put the global figures for 2013 into reverse.

Japan

We have received no forecasts from Japan, but in light of its protracted journey from the ‘lost decade’, and no major tax or regulatory changes affecting the leasing sector, it would be prudent to assume that 2013 will see very little change over 2012.

Germany

The BDL’s Trend Report for the first half of 2013 suggests that the volume of new business acquired through leasing and hire purchase fell by 1,0% compared with 2012. The Association of German Leasing Companies expects new business volume for the year to be in line with 2012.

As for a view on Europe, the European Commission expects a 2% decrease in equipment investment in 2013 (source: European Commission’s European Economic Forecast, Autumn 2013).

Little room for optimism!

This article was written by Ed White, joint founder and Chairman of White Clarke Group, a global financial services business technology company, with offices in North America, Europe and Asia Pacific. Initially a theoretical physicist, Dr White now has over 30 years’ experience in the financial services sector, including a spell as a director of Andersen Consulting with special responsibility for banking and asset finance clients.

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